

# California Debt and Investment Advisory Commission

**Tools to Revitalize Your Community:**



***with***

***Moderator:* Lawrence Tonomura, Banc of America Securities, LLC**

**Eric Thomas, California Pollution Control Financing Authority**

**Leslie Lava, Law Offices of Leslie Lava**

**Mark Holmstedt, Westhoff, Cone & Holmstedt**



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# Introduction

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## Overview

- *AB 939*

- Passed and signed into law in 1989, AB 939 (the "Act") established a 50% waste reduction mandate for California Cities and Counties. The act is overseen by the California Integrated Waste Management Board and in 1999, the statewide diversion rate reached 37 percent, a 12 percent increase over the 1998 statewide diversion rate of 33%. As of 2000 the State of California achieved a 42% waste reduction rate.
- In efforts to achieve the Act's waste reduction mandate, cities and counties looked to the private solid waste industry to increase collection capability, efficiency and technology thereby requiring the need for capital expenditures.

- *Rule 1193 Overview*

- As of July 1, 2002, all additions to a solid waste collection fleets operating in the South Coast Air Quality Management District must be alternative-fuel vehicles to reduce air toxic and criteria pollutant emissions. Rule 1193 applies to government agencies and private entities that operate solid waste collection fleets with 15 or more solid waste collection vehicles further prompting the need for capital expenditures.

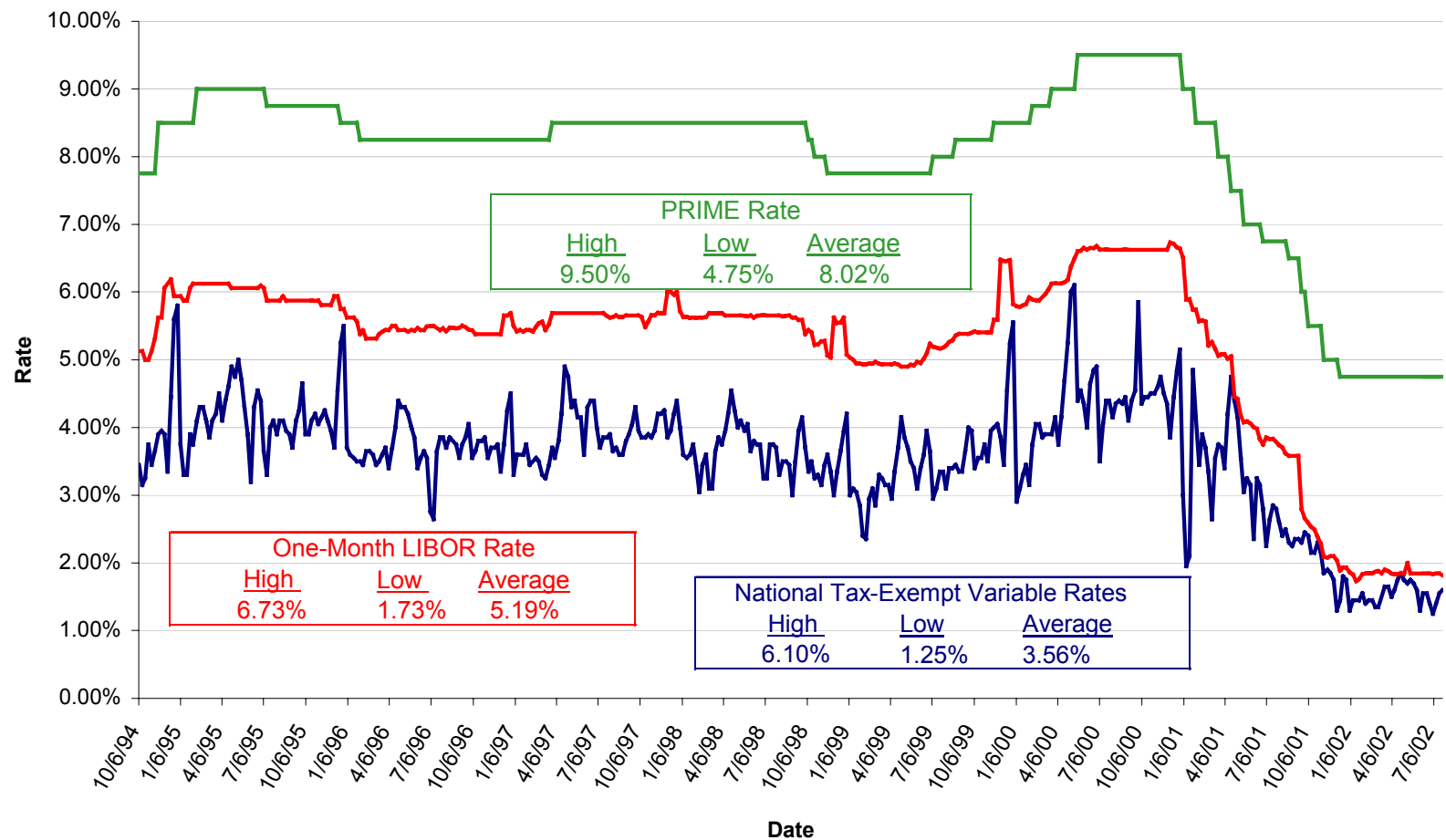




# Tax-Exempt Market Update

## Tax-Exempt Variable Rates Vs. Prime Rate Vs. One-Month LIBOR

Tax-Exempt Variable Rates Vs. One Month LIBOR Vs. Prime:  
October 1994 to July 2002





# Financing Process

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- **The California Pollution Control Financing Authority (CPCFA) as Statewide Issuer of Bonds**
  - **CPCFA Objective**

To finance projects throughout California which help abate, eliminate, prevent, control or reduce pollution hazards. CPCFA seeks to:

    - Provide California businesses with an affordable method of financing waste collection and disposal equipment and facilities.
    - Develop programs to assist California communities to control, remediate, and eliminate pollution hazards to the environment.
  - **Need for Pollution Control Financing**
    - Legislative and regulatory mandates require greater recycling efforts and environmentally friendly methods of collecting and disposing of waste. Over the last decade, the costs and complexity of managing residential and commercial waste has increased significantly. Accordingly, CPCFA requests for financing the last few years are at record levels.
    - High initial and ongoing capital costs for providing waste collection and disposal services requires a low cost, low interest source of funds to assist reasonable residential and commercial payor rates.
  - **CPCFA Programs**
    - Bond Financing Program (tax-exempt and taxable)
    - Grant and Loan Programs
      - Small Business Assistance Fund (SBAF) Financing Assistance
      - California Capital Access Program (CalCAP)
      - California ReCycle Underutilized Sites Cal ReUSE
      - Sustainable Communities Grant and Loan Program
  - **CPCFA Financing Process**
    - Three to six month process:
      - An initial and final approval by CPCFA's Board
      - Receipt of allocation to issue bonds from the California Debt Limit Allocation committee (CDLAC).
      - Marketing, sale and closing





# Keys to Underwriting

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- **Demand / Why??**
  - *AB 939 Compliance and Environmental Protection*
  
- **Borrower's Profile**
  - Franchise Companies
  - Independent Hauling Companies / Operators
  - Construction & Demolition Contractors
  - Waste Recycling Companies
  - Waste Conversion Companies ( Energy; compost; pellets, etc. )
  
- **Financing Structure**
  - Direct Loans ( Cal Cap Program )
  - Tax-Exempt Bonds ( must be investment grade )
    - Variable Rate
    - Fixed Rate
  
- **Case Study**
  - *City of San Francisco - Norcal Waste Systems*
  - *County of Sacramento - Synagro*





# Legal Considerations

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- **Eligibility**
  - *State Law*
    - Definition of “project” under CPCFA Act
  - *Federal Tax Law*
    - Sewage or solid waste disposal facilities
      - What is “solid waste”?
    - Sewage facilities
    - Hazardous waste facilities
- **Other Tax Law Considerations**
  - *Timing of expenditures*
    - CPCFA inducement resolution
  - *Limitations on expenditures*
    - Land
    - Rehabilitation of existing facilities
  - *Useful life*
  - *Public approval*
  - *State volume cap limit*

